

Message Text

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64

ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 EB-07 FRB-01

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 8703

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E.O. 11652: N/A

TAGS: BEXP, EFIN, UY

SUBJECT: EXIMBANK CONSIDERATION OF PROJECTS IN URUGUAY:

CREDIT NO. 3108 AND GUARANTEE 3129

REF: (A) STATE 56399; (B) MVD 954

FOR EXIMBANK

1. EMBASSY HAS BEEN APPROACHED BY URUGUAY'S CATERPILLAR DISTRIBUTOR, GENERAL MACHINERY CO., (GEMCOSA), WHICH HAS EXPRESSED ITS CONCERN AND DISMAY AT REPORTED REFUSAL OF EXPORT-IMPORT BANK TO CONSIDER COMMITMENT OF FINANCING FOR SUPPLY OF EQUIPMENT AND SPARE PARTS VALUED AT OVER SEVEN MILLION DOLLARS. IF CONFIRMED, AND IN THE ABSENCE OF REASONS OF WHICH WE MAY BE UNAWARE, EMBASSY HOPES EXIMBANK WILL CONSIDER FOLLOWING INFORMATION USEFUL.

2. AS PART OF PROGRAM TO MODERNIZE HEAVE MACHINERY INVENTORY, THE NATIONAL GOVERNMENT OF URUGUAY IN PARTNERSHIP WITH THE 18 INTENDENCIAS (I.E. PROVINCIAL GOVERNMENT'S) HAS CALLED FOR TWO BIDS. BID NO. 2-975 FOR PARTS AND SPARES IS VALUED AT \$700,000 AND BID NO. 1-975 FOR EQUIPMENT IS VALUED AT \$6.5 MILLION. THIS PURCHASE IS FIRST STEP IN PLANNED MODERNAZATION AND STANDARDIZATION OF THE COUNTRY'S PRESENT POLYGLOT INVENTORY

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OF EQUIPMENT. FUNDS ARE PROVIDED BY LOCAL GOVERNMENTS, MATCHED

BY NATIONAL GOVERNMENT, AND GUARANTEED BY MINISTRY OF ECONOMY AND FINANCE. IMPLICATION OF THIS STEP IS CLEAR. COMPANY WHICH GETS THIS LARGE ORDER WILL BE IN A SUPERIOR POSITION TO SUPPLY FUTURE NEEDS ON A UNIFORM BASIS TO ENTIRE COUNTRY.

3. FOR COMMERCE: THIS BID CALL IS SIMILAR TO OTHERS FOR THIS TYPE EQUIPMENT THAT EMBASSY HAS NOT REPORTED THROUGH STANDARD "FOREIGN GOVERNMENT TENDER" SERIES AS IS DONE WITH OTHER BIDS. POTENTIALLY INTERESTED U.S. SUPPLIERS IN THIS FIELD HAVE ACTIVE REPRESENTATIVES HERE, SUCH AS GEMCOSA, WHO REGULARLY SUBMIT BIDS AND WHO OFTEN WIN.

4. GEMCOSA IS WELL AND FAVORABLY KNOWN TO EMBASSY AND HAS FOR MANY YEARS SUCCESSFULLY USED EX-IM FINANCING. IN THE COMPANY'S OPINION, BASED ON MANY YEARS IN THIS MARKET, THE AWARDING OF THIS BID IS OF CRUCIAL IMPORTANCE. ARGENTINA, BRAZIL AND PERHAPS JAPAN (WHICH TO DATE HAS MADE NO LARGE PENETRATION ROAD EQUIPMENT MARKET) ARE PREPARING OFFERS BASED ON GENEROUS GOVERNMENT SUPPORTED FINANCING. GEMCOSA HAS SUCCESSFULLY ASKED THAT BID DATE BE DELAYED ONE MONTH TO END OF MAY, ALTHOUGH THIS PERMITS COMPETITORS TO REFINE OFFERS.

5. EMBASSY RECOGNIZES ONGOING EXIMBANK DIFFICULTIES WITH URUGUAY AND SPECIFICALLY OUTSTANDING PAYMENT DUE LOAN NO. 3108 FROM THE MINISTRY OF DEFENSE (REFTELS). EMBASSY IS CONTINUING EFFORTS TO ASSURE PAYMENT THIS AMOUNT. WE HAVE BEEN INFORMED THAT GOU INTERNAL PROCEDURES ARE COMPLETED, THAT CHECK NOW BEING PREPARED, AND THAT IT WILL BE SENT PERHAPS AS SOON AS NEXT WEEK. AS DEPARTMENT AWARE, PROBLEM HAS NOT BEEN LACK OF FUNDS NOR NON-RECOGNITION OF DEBT. WE BELIEVE OUR EFFORTS TO BRING TO ATTENTION OF GOU SERIOUSNESS ARREARAGES FOR URUGUAY'S REPUTATION HAVE BEEN USEFUL TO RESTORE REGULAR PAYMENTS SCHEDULE HOPEFULLY AVOIDING THIS SITUATION IN THE FUTURE.

6. AT A TIME WHEN USG AND EXIMBANK COMMITTED TO EXPANDING US EXPORTS AS DESCRIBED BY CHAIRMAN CASEY IN FEBRUARY 27 ADDRESS AND WHEN URUGUAY IS MAKING POSITIVE EFFORTS TO END MANY YEARS OF ECONOMIC STAGNATION, IT IS DIFFICULT TO UNDERSTAND REPORTED REFUSAL, UNLESS LINKED TO CURRENT ARREARAGE, WHICH WE EXPECT WILL BE CLEARED SHORTLY.

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